Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996	)))))))	CC Docket No. 98-146

COMMENTS BY ALCATEL USA, INC.

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SUMMARY

Alcatel USA, Inc. ("Alcatel") develops, manufactures and supplies telecommunications network and access equipment that supports deployment of advanced services. Among its many products are market leading ASAM Digital Subscriber Line Access Multiplexers ("DSLAMs") and Litespan® Next Generation Digital Loop Carrier ("NGDLC") systems. Both these product lines support digital subscriber line ("DSL") technology, including line sharing applications and other forms of access used in providing "last mile" services essential to achieving universal advanced service capability.

With its expertise in access equipment, Alcatel is well positioned to comment on the captioned inquiry regarding deployment of advanced services to "all Americans." Unfortunately, achievement of this goal still is not close at hand. Increasing uncertainty created by delayed regulatory decision-making and conflicting legislative agendas among the concerned parties all have deterred or delayed deployment of advanced services. The most notable victims of these public and private sector processes have been consumers who are unable to obtain DSL-based "last mile" infrastructure service because they are located too far away from central offices.

The Commission now has the opportunity to eliminate this regulatory and marketplace gridlock and actively promote the deployment of competitive, reliable broadband technologies for delivery of advanced services. As detailed herein, Alcatel urges the Commission to adopt the following proposals:

- Improved data collection -- Most small business and residential users are located too far away from central office DSLAMs to access DSL services. Data collected by the Commission to assess advanced services deployment do not adequately capture these unserved potential users. To properly evaluate the scope and rate

of advanced services penetration in these markets, the Commission should modify its Form 477 to require submission of detailed information on access lines, residential units, and small businesses served by digital loop carrier ("DLC") systems that are currently or potentially capable of being used to deliver DSL services.

- Include DLC elements as UNEs -- Provision of advanced services depends upon full access to all "last mile" technologies, including cable modem, DSL, terrestrial wireless and satellite systems. Barriers to market entry imposed on any of these technologies are unacceptable. Removal of artificial restrictions on full DSL deployment is an essential ingredient in bringing broadband services to the doorstep, regardless of geographic location. DLC-supported broadband facilities clearly are capable of delivering these "last mile" advanced services. To ensure that these derived facilities can be used effectively, they should be added to the list of sub loop unbundled network elements ("UNEs") .

- Exclude line cards from the list of UNEs -- Uncertainty exists over what, if any, DSL system components should be treated as UNEs. This uncertainty is particularly acute with respect to line cards incorporated into DSLAM and NGDLC technologies used in delivering DSL services. Such uncertainty is paralyzing roll-out of these DSL services. Line cards clearly do not fit the definition of elements that should be classified as UNEs. They are sub-components with no stand-alone functionality or physical termination capability characteristic of other elements subject to UNE collocation requirements. Action must be taken now to remove this uncertainty and unleash DSL roll-out. Under these circumstances, it is incumbent upon the Commission to declare that line cards are not UNEs and to preempt federal and state authorities from treating them as UNEs.

- Increase subsidies for advanced service deployment -- Deployment of advanced services in rural and other underserved areas suffers from lack of subsidies. Funds available from Universal Service Fund ("USF") revenues could appropriately be used to stimulate buildout of advanced service capabilities in such areas.

Implementation of these initiatives clearly is based upon the Commission's statutory authority and its constitutionally-based preemptive authority. By invoking these rights, the Commission will send a clear signal that all barriers to entry for advanced service providers are to be eliminated. Otherwise, the benefits that can be provided by these services will remain out of reach for many individuals and businesses.

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COMMENTS

Under Section 706 of the Telecommunications Act of 1996, "advanced telecommunications capability [shall be] deployed to all Americans in a reasonable and timely manner."[1] In the captioned proceeding,[2] the Commission recognizes that fulfillment of this Section 706 goal requires removal of any "barriers to deployment [and] to investment in technologies that can deliver advanced services" and requires "vigorous promot[ion] [of] a competitive marketplace."[3]

As an international supplier of telecommunications switching, transport and access systems, Alcatel is well qualified to speak on issues related to advanced services deployment. Alcatel's technologies are integral to all parts of the telecommunications network, from "backbone" core networks to "last mile" access facilities. It is particularly appropriate for Alcatel to comment on the Third NOI[4] since it is

[1] See §706(b) of the Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996), reproduced in the notes under 47 U.S.C. §157 (2001) ("Telecom Act").
[2] Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Third Notice of Inquiry, CC Dkt. No. 98-146 (FCC 01-223, rel. Aug. 10, 2001) ("Third NOI").
[3] Third NOI at ¶1.
[4] Comments on the Third NOI are due September 24, 2001. 66 FR 44636 (Aug. 24, 2001).

the leading global supplier of both NGDLC and ADSL equipment, which are key enabling technologies for the delivery of advanced services.[5]

Alcatel is committed to the prospect that "all Americans" (and persons everywhere) have access to advanced services. Regrettably, progress towards keeping the promise of such deployment has been too slow.

Based upon data collected by the Commission, penetration of advanced services into the residential and small business totals less than 3%.[6] Given the development of advanced services technologies, such as DSL, cable modem, terrestrial wireless and satellite delivery systems, these penetration figures do not come close to justifying the Commission's conclusion in the Third NOI that Section 706 goals generally are being satisfied.[7] These penetration levels simply do not constitute the "reasonable and timely" deployment needed to meet this goal.

Continued slow growth in advance services deployment must not be accepted. We can do much better. Affirmative steps, including direct regulatory intervention, must be taken to accelerate penetration rates significantly so that advanced telecommunications capabilities, in fact, will be available for all Americans in the very near future.

Herein, Alcatel responds to the Commission's specific questions set forth in the Third NOI. These responses detail a recipe for what affirmative steps the Commission must take to meet its Section 706 mandate in a more expeditious manner. Alcatel's

[5] In general, DSLAMs are used for DSL delivery and NGDLC systems are used for multi-service requirements. Broadband-capable DLC systems typically support all services offered by the local exchange carrier ("LEC") that work on copper facilities. These services include POTS, ISDN, Coin, CENTREX, Foreign Exchange and two-wire and four-wire "legacy special services" (among others). NGDLC systems with ATM busses, such as Alcatel's Litespan® systems, also support ATM-based Asynchronous DSL ("ADSL") and other DSL services.
[6] Third NOI at ¶12.
[7] Third NOI at ¶20.

proposed steps include collecting more useful data to gauge "last mile" technology market penetration, declaring that DLC-supported broadband elements should be treated as UNEs subject to collocation but that line cards should not be classified as UNEs, and utilizing USF revenues to support widespread advanced services availability.

I. IS ADVANCED TELECOMMUNICATIONS CAPABILITY BEING DEPLOYED TO ALL AMERICANS?

In the Third NOI, the Commission solicits data "that will enable [it] to make informed judgments about whether the deployment of advanced services is reasonable and timely."[8] Specifically, the Commission seeks

> data organized in ways that will enable us to measure investment, deployment and subscription for different technologies, companies, areas, and types of consumers, and the presence of consumer choice for competing technologies and companies. We also seek comment on whether there are other ways of analyzing our data. In addition, we seek comment on whether our current data collection overlooks certain underserved areas or customer classifications, or growth in areas we have not identified.[9]

The telecommunications equipment industry has developed and continues to develop technologies that can go a long way toward providing advanced telecommunications services to "all Americans."[10] Unfortunately, because of market conditions and regulatory impediments, advanced technologies still are not being deployed on a reasonable and timely basis to remote users.

How the Commission collects data on advanced services deployment as part of its annual Section 706 review has unintentionally contributed to this problem. While

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[8] Third NOI at ¶18.

[9] Third NOI at ¶18 (footnote omitted).

[10] See generally Alcatel's March 20, 2000, comments on the Commission's Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Notice of Inquiry, 15 FCC Rcd 16641 (2000).

such data have been useful, this information has been too narrow in scope. Information submitted regarding cable modem, general DSL, and wireless penetration does not tell the entire story and thus does not provide the Commission with an adequate baseline for evaluating how advanced service deployment is progressing.

Missing from the Commission's data base is specific information on DSL-based "last mile" technology penetration for rural, urban and suburban customers located more than approximately three (3) miles from a service provider's central office. In particular, as detailed below, Alcatel recommends that the Commission develop more precise data on access lines, residential units, and small business services by DLC systems in such areas beyond the central offices.

Such data would assist in ensuring that advanced services are extended to areas beyond the reach of central office DSLAMs. This information is needed to evaluate meaningfully why advanced services deployment is moving at such a "snail's pace" and is necessary to develop strategies for correcting this unacceptable situation.

A primary option for bridging this gap is deployment of DSL-based technologies. Current DSLAM and DLC systems provide technologically sound and competitive alternatives to cable modems and wireless systems for provision of advanced services. Supporting these competitive options is essential for stimulating investment in equipment development, as well as for encouraging improvements in service provisioning, maintenance and cost performance.

While cable modems and wireless systems are capable of supporting advanced services, fair and robust competition between these technologies and DSL systems must be promoted so that deployment can be optimized. To better understand how and

the extent to which advanced services can be brought to all Americans, Alcatel recommends that the Commission more precisely track the deployment and use of DSL-based technologies.

Specifically, statistics are needed that include the lines and units served by DSL-based DLC systems, along with information on associated advanced services deployment and subscribership.[11] This statistical information should show how much of the target population is served by DLC systems as compared to customers served on copper coming directly from service provider central offices. We would then need to track the lines of capacity that can provide DSL services, with integrated DSL functions in the DLC systems, and/or collocated DSLAMs, and the number of services actually in use on those DSL facilities.[12] Because of the greater inherent capacity of fiber transport, Alcatel further recommends separating the DLC data into copper-fed and fiber-fed components.

II. IS DEPLOYMENT REASONABLE AND TIMELY?

In its previous report on Section 706 progress, the Commission concluded that competition among providers of advanced services technologies is emerging and that

[11] Customers served by DLCs frequently are beyond the reach of central office-based DSL services at comparable line rates. Or, if these customers are served by combinations of fiber and DLC, there may not be parallel copper facilities for central office-based advanced services access. Ideally, the information collected would include the number of residential units and small businesses served by the DLC systems. However, this information may be difficult to compile. As an alternative, it may be more reasonable to obtain the number of derived feeder pairs served by the DLC systems, along with the total feeder facilities available at central offices and the access lines in use for those facilities. These data would provide a useful basis for comparing advanced service deployment levels.

[12] For instance, where remote DSLAMs or mini-RAMs are used, the number reported would be the line capacity of the DSLAM or mini-RAM shelf or shelves. If a DLC system were upgraded or installed with DSL capabilities, the number would be the lines of installed capacity that could actually support DSL.

deployment is occurring on a reasonable and timely basis.[13] Similarly, in recent reports, the Commission notes the increase of available high speed and advanced services.[14]

Alcatel respectfully disagrees with these conclusions. And the record justifies Alcatel's position.

Although there appears to have been some growth, the Commission, in the Third NOI, states that only 2.6% of residential units and small businesses have advanced services.[15] This nominal penetration figure clearly is neither cause for celebration nor grounds for declaring that advanced services are, in fact, being deployed in a reasonable and timely manner.

Slow deployment of advanced services is particularly hard to reconcile with the significant (and world leading) number of American households that already have both computers and narrowband Internet access, which should predispose people to migrate to advanced services if they are offered. Of equal concern is the lack of competitive options as only half the ZIP codes sampled had more than a single supplier of high-speed services.[16] Both the service penetration rate and the extent of competitive provisioning of these services is inadequate.

III. WHAT ACTIONS CAN ACCELERATE DEPLOYMENT?

Under Section 706, the Commission is required to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans" by adopting "measures that promote competition in the local

[13] Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Second Report, 15 FCC Rcd 20913, 20917-19 (2000).
[14] "High Speed Services for Internet Access: Subscribership as of December 31, 2000" (rel. Aug. 9, 2001) ("High Speed Report") and "Trends in Telephone Service" (rel. Aug. 20, 2001).
[15] Third NOI at ¶12.
[16] Third NOI at ¶17.

telecommunications market...or [by] other regulating methods that remove barriers to infrastructure investment."[17] As demonstrated above, the Commission has not satisfied this mandate. Consequently, under Section 706, it must "take immediate action to accelerate deployment of such capability by removing barriers to infrastructure investment and by promoting competition in the telecommunications market."[18]

When evaluating the potential for accelerating advanced services deployment, the Commission should pay particular attention to those areas and customers served by DLC systems. These DLC systems predominantly serve residential units and small businesses. They typically are deployed beyond the reach of central office-based DSLAMs. Even where a DLC remote terminal is within the theoretical reach of central office DSL, such services often cannot be provided unless the DLC system has integrated DSL capabilities or unless the DLC system is augmented with a remote DSLAM (or mini-RAM) that supports such services.[19]

Although FCC statistical data are lacking, Industry analysts estimate that DLC systems serve over one-third of existing telephone access lines while forecasting growth to over 50% within a few years.[20] Clearly, with this existing and potential market penetration, ensuring that advanced service capabilities will be installed at these remote locations is imperative.[21]

Challenging this potential growth are certain Commission policies that compel reconsideration. The Commission's initiatives to impose TELRIC pricing models on

[17] Section 706(b) of the Telecom Act.
[18] Section 706(b) of the Telecom Act.
[19] It is generally more economical to upgrade DLC capabilities where basic service capacity expansion is required or where there is no space in the existing enclosure for a separate DSLAM.
[20] For instance, see RHK's "DLC and PON Market Report," June 11, 2001.
[21] Reported telephone subscription, per the latest Commission report, indicates that 94.7% of U.S. households have wireline telephone access. With current technology, all such lines are capable of advanced services access.

carriers and to treat DLC line cards as UNEs subject to collocation have prevented or impeded deployment of advanced services capabilities. Overcoming these impediments in a manner that will be fair to all advanced services market participants, including providers and equipment manufacturers, is crucial to making Section 706 work effectively.

Established TELRIC pricing models determine the rates incumbent local exchange carriers ("ILECs") can charge for the derived facilities. However, ILECs maintain that such pricing will not allow them to recover their costs in a commercially reasonable time frame. As a result, TELRIC is a disincentive to ILEC investment in and deployment of advanced services equipment.[22] Indeed, the value of any pricing model that deters rather than stimulates advanced service deployment is highly suspect and its continued use must be reconsidered.[23]

Treating DLC line cards as UNEs and requiring their collocation was proposed in a still-pending proceeding involving the deployment of wireline services offering advanced telecommunications capability.[24] In its comments on the Collocation Rulemaking, Alcatel demonstrated unequivocally that line card collocation simply is not feasible.[25]

Inexplicably, after almost a full year, these important issues remain unresolved because the Commission still has not issued a decision in the Collocation Rulemaking. The Commission's delay in ruling on this issue has adversely affected the broadband

[22] SBC nevertheless volunteered to use TELRIC to price its broadband service offering.
[23] Since the TELRIC issue will be heard by the U.S. Supreme Court later this year, Alcatel will not comment further on the model itself.
[24] Deployment of Wireline Services Offering Advanced Telecommunications Capability, Order on Re-consideration and Second Further Notice of Proposed Rulemaking in CC Dkt. No. 98-147 and Notice of Proposed Rulemaking in CC Dkt. No. 96-98, 15 FCC Rcd 17806 (2000) (the "Collocation Rulemaking").

services marketplace. It has caused the reduction and, in some cases, even cessation of DLC broadband upgrades in areas where that work had started. This delay also has inhibited other service providers from even commencing upgrades.

Leaving deployment of necessary, competitive DSL-based broadband services in limbo is unacceptable. Under the Commission's preemptive authority, this stalemate can be easily and quickly resolved by affirmative regulatory action to include DLC-supported advanced services in the list of UNEs and by affirmative regulatory action to exclude line cards from the list of UNE candidates.

A. Advanced Services UNEs

Certain DLC systems, especially NGDLC systems such as Alcatel's Litespan®-2000 and 2012 products, can be installed or upgraded with digital subscriber line cards that support advanced services. The most popular DSL technology and service is ADSL, as the Commission recognized in its original Line Sharing order.[26] ADSL capability now is available in a wide range of DLC products supplied by different companies, but it is not yet widely deployed in these systems.

The major ADSL initiative to date has been Southwestern Bell Corporation's ("SBC's") "Project Pronto," announced in October 1999. This project included Litespan® upgrades and additions. It has been hampered from the start by legal and regulatory roadblocks.

The first major issue for "Pronto" was whether SBC's ILECs could install DSL upgrades. This plan appeared to be precluded by the SBC/Ameritech Merger

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[25] See Alcatel's October 12, 2000, Comments (p. 19) and November 14, 2000, Reply Comments (p. 4) on the Collocation Rulemaking.

[26] Deployment of Wireline Services Offering Advanced Telecommunications Capability, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Dkt. No. 96-98, 14 FCC Rcd 20912 (1999).

conditions that assigned advanced services operations to SBC's data affiliate.[27] SBC petitioned for clarification or modification of these requirements.

In their comments on this petition, many CLECs objected to SBC's initiative based on a concern that it would limit the ability to provide their own differentiated services. These CLECs objected despite the fact that DLC systems were being installed in any case to provide more economical basic service. Furthermore, the CLECs had the option of installing remote DSLAMs or sharing the derived DSL facilities as a broadband service offering. After considerable interaction between SBC and the CLECs to resolve this issue, the Commission found that it was in the public interest for ILECs to install the advanced services equipment and share the derived services.[28]

The handoff arrangement for these shared facilities involves the use of Optical Concentration Devices ("OCDs") in the ILEC's central offices. With this arrangement, it is apparent that a broadband service option extending the service to the customer premises could meet the Commission's general definition of an unbundled loop -- "a transmission facility between a distributing frame, or its equivalent [OCD], in an incumbent LEC central office, and the network interface device at the customer premises."[29]

The main advantage of defining the service capabilities as unbundled loops would be to clarify and manage the rules for parties on both sides through regulatory

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[27] See Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Corporations, Memorandum Opinion and Order, 14 FCC Rcd 14712 (1999), appeal pending sub nom. Telecommunications Resellers Assoc. v. FCC, File No. ____ (D.C. Cir. ____).

[28] Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, Second Memorandum Opinion and Order, 15 FCC Rcd 17521, 17544-47 (2000).

[29] Implementation of the Local Competition Provisions in the Telecommunication Act of 1996, First Report and Order, CC Dkt. No. 96-98, 11 FCC Rcd 15499, 15691 (1996), aff'd in part and vacated in part sub nom. Competitive Telecommunications Ass'n v. FCC, 117 F.3d 1068 (8th Cir. 1997). Alcatel asserts that the OCD provides distribution frame equivalency for interconnecting ATM-based DSL lines, such as ADSL.

oversight, while simultaneously avoiding more onerous and, in some cases, unworkable conditions. This approach also clearly would encourage further advanced services deployment.

Establishing a single UNE for DLC-based advanced services may suffice, given conditions surrounding the availability of different service options and different tariff components for each option. Alternatively, there could be advantages in separating UNEs by DSL technology or by symmetrical and asymmetrical service categories, since the latter generally supports line sharing and the former does not. Those are issues best determined by providers of the affected services. Alcatel intends to support all standards-based DSL technologies on its DLC systems.[30]

The Commission also must resolve whether these unbundled broadband service elements should be limited to DLC-based facilities or whether they should also apply to DSL facilities derived from remote DSLAMs. It is not clear whether the current loop unbundling rules are intended to apply equally to DSLAM capabilities in DLC systems and to remote, stand alone DSLAMs. If installed, either element would be excluded from unbundling except where there are no copper facilities available for a CLEC to provide comparable service (within 18,000 feet) and except where the ILEC does not (or cannot) allow the CLEC to install its own DSLAM.[31]

These "packet switching" exclusions were enacted at a time when CLECs appeared to be far ahead of ILECs in DSL deployment. Without doubt, this situation

[30] Besides ATM-based ADSL, Litespan® will support G.lite mode and G.shdsl in a soon-to-be-delivered software release, along with TDM-based HDSL2 (which cannot be accessed through an OCD).

[31] See Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Third Report and Order and Fourth Further Notice of Proposed Rulemaking, 15 FCC Rcd 3696, 3839-40 (1999).

has changed dramatically.[32] In addition, there has been much testimony from both sides of the issue (ILEC and CLEC) on the difficulties facing CLECs in remote equipment deployment. These concerns are distinct from central office installations where, with the rash of CLEC failures, there now appears to be an excess inventory of equipment. Therefore, when considering whether to unbundle derived broadband facilities supported by DLC systems, which are acknowledged as packet equipment, it would seem appropriate to revisit the need for unbundling exclusions of any remotely deployed equipment with packet capabilities.[33] The potential for increased utilization of this equipment with unbundling should lower average line costs and support accelerated deployment of advanced services capabilities.[34]

B. Line Card Interoperability

Deployment of advanced services also has been inhibited by regulatory uncertainty over line card interoperability.[35] The Commission inquired whether it was feasible to allow collocation or virtual collocation of line cards in NGDLC systems like Litespan® in its Collocation Rulemaking.[36] This issue also is being addressed in various states including Illinois, Pennsylvania and Massachusetts.

Alcatel has established, in comments on the Collocation Rulemaking,[37] as well as in other presentations to the Commission, that it is not feasible to treat line cards as UNEs subject to collocation. The record of the Collocation Rulemaking supports this

[32] For instance, the Commission, in its High Speed Report at Table 4, indicates ILECs had 91.8% of the ADSL services market as of December 31, 2000.
[33] Additional equipment for consideration includes broadband-capable FTTC and APON, among others.
[34] This claim again assumes there are no UNE pricing disparities that would preclude economic deployment decisions and/or hinder investment.
[35] Also referred to "plug and play."
[36] See Collocation Rulemaking, 15 FCC Rcd at 17853.
[37] See Alcatel's October 12, 2000, Comments (p. 19) and November 14, 2000, Reply Comments (p. 4) on the Collocation Rulemaking.

position. Line cards are proprietary, internal components of the DLC systems themselves and cannot operate as stand-alone network elements. Nor can these line cards be externally accessed by, or interconnected to, other systems.

The Commission has delayed ruling on the issue of line card interoperability, thereby causing great uncertainty in the marketplace. This delay also has opened the door for unnecessary state activity. The most notable proceeding involves the Illinois Commerce Commission's (“ICC”) ruling in favor of line card collocation. This ruling caused SBC to halt Project Pronto in Illinois. The ICC since has completed a rehearing process. The ICC hearing examiner, in his still pending proposed ruling,[38] ordered SBC to tariff its broadband service offering in that state as a "NGDLC UNE-P". Without justification legally or factually, the examiner declared the line card issue moot.[39] Although Alcatel agrees with the idea of tariffs for derived broadband lines supported by a DLC, it is inappropriate to declare line card interoperability moot. Such a ruling would encourage its resurrection in other states. The issue could come up in similar line sharing proceedings, universal service deliberations or even in negotiations surrounding Section 271 long distance applications.

Successful advanced services deployment depends on eliminating the line card interoperability issue. Assertive Commission action is needed to achieve this goal. Alcatel strongly urges the Commission to specifically declare line card collocation or interoperability to be unworkable and immune from unbundling.

[38] Illinois Commerce Commission, Proposed Implementation of High Frequency Portion of Loop (HFPL)/Line Sharing Service, 00-0393, "Proposed Order on Rehearing," August 10, 2000. Final order is due on September 28, 2001.
[39] Alcatel submitted several boxes of evidence and testified in the case.

Such preemptive action is necessary to to promote a uniform national telecommunications policy on this issue consistent with Congress' objectives in passing the Telecom Act, and to promote competition in the broadband market. The Commission clearly can invoke such preemption because: (i) it has exclusive authority, under Section 251(d) of the Communications Act of 1934, as amended (the "Act"), to set standards for defining UNEs; (ii) state PUC action on line cards constitutes an impermissible barrier to entry in violation of Section 253(d) of the Act; and (iii) continued uncertainty prevents the Commission from meeting its Section 706 obligations.

Finally, in terms of a major public policy initiative that would unquestionably accelerate advanced services deployment, Alcatel further recommends that careful consideration be given to supporting the inclusion of advanced services as a Universal Service obligation and to allocating USF funds to promote access in underserved areas. This approach would motivate service providers to deploy these capabilities throughout their telecommunications networks. This is a matter that Alcatel will address separately in its response to the recently announced inquiry on this topic.[40]

CONCLUSION

Although there appears to have been growth in advanced services penetration, that metric is greatly exaggerated by the small base numbers used in the calculations. In fact, actual penetration of 2.6% in residences and small businesses is quite unimpressive compared to the ambitious goals of the Telecom Act and to the corresponding accomplishments of other countries such as South Korea and Singapore.

[40] Federal-State Joint Board on Universal Service Seeks Comment on Review of the Definition of Universal Service, CC Docket No. 96-45, Public Notice, FCC 01-J-1.

In order to gauge advanced services market penetration and make appropriate, rational policy decisions, the Commission needs to track the total lines served by DLCs, the portion of those lines with access to advanced services capabilities and the level of actual advanced services subscriptions. With these data, the Commission will be in a far better position next year to definitively and objectively answer some of the questions posed in this inquiry.

Technologies and equipment are available today that can not only deliver advanced services to all Americans but also provide truly competitive choices for service delivery. These choices include DSL, wireline telecommunications, cable, fixed wireless and satellite alternatives. Of these alternatives, wireline telecommunications facilities have the greatest existing penetration in terms of subscriptions and are the most easily and cost effectively upgraded to help deliver advanced services to all Americans.

Alcatel nonetheless is concerned over the possibility that half (or more) of the embedded telephone base may not be upgraded to provide advanced services because of the DLC deployment disincentives and onerous rules surrounding unbundling detailed above. The Commission can clear the way for advanced services deployment by designating DLC derived facilities as UNEs and by foreclosing the demonstrably unworkable option of line card collocation.

Respectfully submitted,

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September 24, 2001

Certificate of Service

This is to certify that one (1) original and four (4) true and accurate copies of the foregoing was hand delivered this 24th day of September, 2001, to the Office of the Secretary, Magalie Roman Salas, Federal Communications Commission, 445 Twelfth Street, SW, TW-A325, Washington, DC 20554 and to the following parties:

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